

Attachment Q31
Colorado Health Care Affordability Act
Hospital Provider Fee Model Description

Updated: Tuesday, December 15, 2009

House Bill 09-1293, the Colorado Health Care Affordability Act of 2009, authorizes the Department to assess a hospital provider fee to generate additional federal Medicaid matching funds to improve reimbursement rates for inpatient and outpatient hospital services provided through Medicaid and the Colorado Indigent Care Program (CICP) as well as expand health coverage under Medicaid, the Child Health Plan *Plus* (CHP+) and for low-income adults without dependent children.

Upon approval by the federal Centers for Medicare and Medicaid Services (CMS) of the hospital provider fee and payments, which is anticipated prior to April 1, 2010, fees will be collected from and payments will be made to hospitals effective retroactively to July 1, 2009. Implementation of the health coverage expansions will also begin upon CMS approval, with expansions implemented over the course of several years.

On September 30, 2009, the Department submitted a request to CMS to waive the “uniform” and “broad-based” requirements for a provider fee under 42 CFR § 433.68(e)(2) and submitted a State Plan Amendment for supplemental Medicaid and DSH payments for hospitals.

As currently proposed, fees are calculated on inpatient and outpatient hospital services. Hospital payments will be increased for Medicaid and Colorado Indigent Care Program (CICP) inpatient and outpatient hospital services through supplemental inpatient and outpatient Medicaid payments and Disproportionate Share Hospital (DSH) payments. These supplemental payments include targeted payments to hospitals to ensure access for Medicaid clients in rural and metropolitan areas of the state.

This document describes hospital provider fee and payment methodologies as currently proposed.

1. Fee Exclusions

a. State Licensed and Medicare Certified Psychiatric Hospitals

Policy Goal: State mental hospitals and private stand alone psychiatric facilities hospitals are excluded from the hospital provider fee as including them would create an incentive for these hospitals to increase their Medicaid utilization, which is contrary to the goals of Colorado’s Medicaid Mental Health Program. In addition, state mental hospitals and private stand alone psychiatric facilities meet the definition of Institutions for Mental Diseases (IMDs) under 42 CFR 435.1010. Federal financial participation (FFP) is not available for Medicaid clients from age 22 through age 64 who are patients in an IMD, as noted under 42 CFR 435.1009(a)(2).

Colorado’s Medicaid Mental Health Program is a managed behavioral health care arrangement administered through Behavioral Health Organizations (BHOs). BHO enrollment is mandatory and automatic for all clients with full Medicaid benefits (97% are enrolled). The Medicaid Mental Health Program is community-

based and recovery-focused, where the goal is to allow clients to enjoy a satisfying quality of life at the lowest level of care necessary. BHOs are expected to minimize inpatient hospitalizations through a focus on community-based, integrated care services, and inpatient psychiatric hospitalization is limited to 45 days per fiscal year. The impacted facilities are:

- Colorado Mental Health Institute-Ft Logan
- Colorado Mental Health Institute-Pueblo
- Eating Recovery Center
- Haven Behavioral Senior Care at St. Mary-Corwin
- Highlands Behavioral Health System
- Cedar Springs Behavior Health System
- Centennial Peaks Hospital
- Vibra Psychiatric Hospital
- West Slope Mental Health Stabilization Center

b. Medicare Certified Long Term Care (LTC) Hospitals

Policy Goal: The Hospital Provider Fee is used as an incentive to reduce uncompensated costs and increase access for Medicaid and uninsured clients. These facilities will not pay the hospital fee but will receive an increased Medicaid Inpatient Hospital payment if they choose to participate in Medicaid. This will increase access for Medicaid clients. The impacted facilities are:

- Colorado Acute Long Term Hospital
- Craig Hospital
- Kindred Hospital
- Vibra Long Term Acute Care Hospital
- Select Long Term Care Hospital
- Select Specialty Hospital - Denver
- Select Specialty Hospital - Denver South Campus
- Triumph Hospital

c. State Licensed and Medicare Certified Rehabilitation Hospitals

Policy Goal: The Hospital Provider Fee is used as an incentive to reduce uncompensated costs and increase access for Medicaid and uninsured clients. These facilities will not pay the hospital fee, but will receive an increased Medicaid Inpatient Hospital payment if they choose to participate in Medicaid. This will increase access for Medicaid clients. The impacted facilities are:

- HealthOne Spalding Rehabilitation Hospital
- HealthSouth Rehabilitation Hospital
- Northern Colorado Rehabilitation Hospital

2. Fee Discounts

a. Managed-Care Day Discount

Policy Goal: Managed care days – both public and private payers – are discounted to create an incentive for greater participation in managed health care where care

can be coordinated and. The Department proposes a discounted inpatient hospital fee for managed care days compared to fee for service days, where managed care days include commercial managed care, Medicaid HMO and BHO, Medicare HMO. Fee for service days include other commercial, Medicaid fee-for-service, Medicare fee-for-service, charity care, uninsured, CICP, and other days.

- As currently proposed, managed care days are assessed at \$59 per day
- Non-managed care days are assessed at \$256 per day

b. High-Volume Medicaid and CICP Providers Discount

Policy Goal: High volume Medicaid and CICP providers are those providers with at least 35,000 Medicaid days/year and provide over 30% of their total days to Medicaid and CICP clients. These providers are critical for access for Medicaid clients to inpatient and outpatient hospital services. Assessing a lower rate ensures that these providers can continue providing such access to Medicaid and CICP clients. The impacted facilities are:

- Denver Health Medical Center
- Memorial Hospital
- The Children's Hospital
- University Hospital

Amount of Discount:

1. Inpatient: 42.65%
2. Outpatient: 1.22%

- Approximate Discount by Hospital
 1. Denver Health Medical Center: \$8.8 million
 2. Memorial Hospital: \$12.3 million
 3. The Children's Hospital: \$9.0 million
 4. University Hospital: \$4.5 million

3. Fee Payments by Hospitals

- Inpatient
 1. \$59 per Managed Care Day
 2. \$256 per Non-Managed Care Day
- Outpatient
 1. Percent of Outpatient Charges: 0.38%

4. Supplemental Inpatient Payments

Policy Goal: Reimburse approximately 100% of Medicare Inpatient Hospital Base Rate to reduce uncompensated Medicaid costs and increase access for Medicaid clients. This is an approximation, since Medicaid does not reimburse on costs for rural providers (as Medicare does) and the Supplemental Inpatient Payments do not capture day/cost outlier payments.

- a. The current Medicaid Hospital Base Rate is 85% of the Medicare Base Rate, as calculated prior to Medicaid add-ons for Medicaid Graduate Medical Education

(GME), Nursery, and Neonatal Intensive Care Unit (NICU). The Hospital Medicare Base Rate is calculated without Medicare Disproportionate Share Hospital (DSH) and GME. Moving from 85% to 100% is a 17.7% increase.

- b. LTC/Rehabilitation: Increase Inpatient Hospital Base Rate by 17.7%.

Policy Reason: Increase payments to facilities to encourage more Medicaid participation and allow more patients in acute care hospitals to transfer to the LTC/Rehabilitation setting when appropriate. The following hospitals are expected to qualify:

- Colorado Acute Long Term Hospital
- Craig Hospital
- Kindred Hospital
- Vibra Long Term Acute Care Hospital
- Triumph Hospital
- HealthOne Spalding Rehabilitation Hospital
- HealthSouth Rehabilitation Hospital
- Northern Colorado Rehabilitation Hospital

- c. The Children's Hospital will receive an increase to its Medicaid Inpatient Hospital Base Rate of 11.7%. The Children's Hospital currently receives a Pediatric Specialty Add-on, which increases its Medicaid Inpatient Hospital Base Rate.

5. Supplemental Outpatient Payments

Policy Goal: Reimburse approximately 100% of Medicaid costs for Outpatient Hospitals to reduce uncompensated Medicaid costs and increase access for Medicaid clients. This is an approximation since the payment will be made on a prospective basis and not reconciled to actual costs. Currently hospitals are reimbursed approximately 71% of outpatient Medicaid costs.

- a. Rural Hospital Adjustment

Policy Goal: To support providers of outpatient services of Medicaid clients at small rural hospitals. Rural hospitals whose Medicaid payments compose at least 80% of their total Medicaid payments with 15 or fewer licensed beds will receive an additional supplemental payment approximating a 65% increase in outpatient Medicaid payments. The following hospitals will receive this additional payment:

- Lincoln Community Hospital and Nursing Home
- Melissa Memorial Hospital
- Pagosa Mountain Hospital
- Pioneers Hospital
- Weisbrod Memorial County Hospital
- Animas Surgical Center

6. Supplemental CICIP Payments

Policy Goal: Increase reimbursement for CICIP uncompensated costs at hospital providers to reduce uncompensated uninsured costs and increase access for uninsured clients. This is an approximation since the payment will be made on a prospective basis and not reconciled to actual costs. The increased payments will maintain access for uninsured clients at rural and non-Denver metro hospitals. Providers with high CICIP costs are large metro area hospitals that can more efficiently manage uninsured costs, such as utilizing an integrated primary care system.

- a. All CICIP hospital providers will be reimbursed at least 80% of CICIP costs.
- b. Rural CICIP hospitals will be reimbursed at 100% of CICIP costs.
- c. CICIP hospital providers with less than \$25 million in CICIP costs will receive 90% of CICIP costs.

7. Supplemental Uninsured Payments

Policy Goal: Reimburse approximately 40% of uncompensated uninsured costs at acute care hospital providers to reduce uncompensated uninsured costs and increase access for uninsured clients. This is an approximation since the payment will be made on a prospective basis and not reconciled to actual costs.

- a. CICIP providers are excluded as they are receiving a separate payment based on CICIP costs.
- b. Below are non-CICIP hospital providers eligible for this payment:
 - Grand River Medical Center
 - Haxtun Hospital
 - Kit Carson County Memorial Hospital
 - Lincoln Community Hospital and Nursing Home
 - Pioneers Hospital
 - Rangely District Hospital
 - Animas Surgical Center
 - Centura Health - Avista Adventist Hospital
 - Centura Health - Littleton Adventist Hospital
 - Centura Health - Parker Adventist Hospital
 - Centura Health - Porter Adventist Hospital
 - Centura Health - Saint Anthony Central Hospital
 - Centura Health - Saint Anthony North Hospital
 - Centura Health - Saint Anthony Summit Hospital
 - Colorado Orthopaedic Surgical Hospital
 - HealthOne Medical Center of Aurora
 - HealthOne North Suburban Medical Center
 - HealthOne Presbyterian/St. Luke's Medical Center
 - HealthOne Rose Medical Center
 - HealthOne Sky Ridge Medical Center
 - HealthOne Swedish Medical Center

- Exempla Good Samaritan Medical Center
- Exempla Lutheran Medical Center
- Exempla Saint Joseph Hospital

8. Supplemental Rural and Critical Access Hospital Payments

Policy Goal: Reduce uncompensated uninsured costs and increase access for Medicaid clients at rural hospital providers. This is an approximation since the payment will be made on a prospective basis and not reconciled to actual costs or to Medicaid utilization.

- a. Critical Access Supplemental Payment. Critical Access Hospitals will receive a supplemental Medicaid payment of \$1,400 per Medicaid day. Hospitals eligible for this payment are below:

- Aspen Valley Hospital
- Conejos County Hospital
- East Morgan County Hospital
- Estes Park Medical Center
- Family Health West Hospital
- Grand River Medical Center
- Gunnison Valley Hospital
- Haxtun Hospital
- Heart of the Rockies Regional Medical Center
- Kit Carson County Memorial Hospital
- Kremmling Memorial Hospital
- Lincoln Community Hospital and Nursing Home
- Melissa Memorial Hospital
- The Memorial Hospital
- Mount San Rafael Hospital
- Pagosa Mountain Hospital
- Pikes Peak Regional Hospital
- Pioneers Hospital
- Prowers Medical Center
- Rangely District Hospital
- Rio Grande Hospital
- Sedgwick County Memorial Hospital
- Southeast Colorado Hospital
- Southwest Memorial Hospital
- Spanish Peaks Regional Health Center
- St. Vincent General Hospital District
- Weisbrod Memorial County Hospital
- Wray Community District Hospital
- Yuma District Hospital

- b. Essential Access Rural Hospital Payment. Rural hospitals with 25 or fewer licensed acute care beds will receive a supplemental Medicaid payment of \$1,400 per Medicaid day. Hospitals eligible for this payment are below:
 - Animas Surgical Center
 - Centura Health - Saint Anthony Summit Hospital
 - Keefe Memorial Hospital
- c. Rural Hospital Payment. Rural hospitals with greater than 25 licensed acute care beds will receive a supplemental Medicaid payment of \$500 per Medicaid day. Hospitals eligible for this payment are below:
 - Arkansas Valley Regional Medical Center
 - Centura Health - St. Thomas More Hospital
 - Colorado Plains Medical Center
 - Delta County Memorial Hospital
 - Mercy Medical Center
 - Montrose Memorial Hospital
 - San Luis Valley Regional Medical Center
 - Sterling Regional MedCenter
 - Vail Valley Medical Center
 - Valley View Hospital
 - Yampa Valley Medical Center

9. Supplemental Denver Metro Area Payment

Policy Goal: Increase access for Medicaid clients in the Denver Metro Area, while focusing increased payments to those areas where the Medicaid population has limited access to providers. An additional payment is made to facilities in Denver County, which have a substantial Medicaid population, to ensure access to hospital services to Medicaid clients residing in Denver County.

- a. High-Volume Medicaid and CICP providers are excluded from the payment. The impacted facilities are:
 - The Children's Hospital, University Hospital and Denver Health Medical Center
- b. Denver-Aurora-Boulder Combined Statistical Area includes:
 - Adams County (2 hospital providers*)
 - Arapahoe County (3 hospital provider)
 - Boulder County (4 hospital providers)
 - Denver County (6 hospital providers*)
 - Douglas County (2 hospital providers)
 - Jefferson County (2 hospital providers)
 - Weld County (1 hospital provider)

*the count of providers excludes: The Children's Hospital, University Hospital and Denver Health Medical Center which are high volume Medicaid and CICP providers

These counties are then grouped by similar characteristics:

Group #1: Adams County - Arapahoe County

Group #2: Boulder County - Douglas County - Jefferson County

Group #3: Weld County

Group #4: Denver County

- c. Group #1: Adams County - Arapahoe County hospitals receive \$300/Medicaid Day
 - Centura Health - Littleton Adventist Hospital
 - HealthOne Medical Center of Aurora
 - HealthOne North Suburban Medical Center
 - HealthOne Swedish Medical Center
 - Platte Valley Medical Center
- d. Group #2: Boulder County - Douglas County - Jefferson County hospitals receive \$425/Medicaid Day
 - Boulder Community Hospital
 - Centura Health - Avista Adventist Hospital
 - Centura Health - Parker Adventist Hospital
 - Centura Health - Saint Anthony North Hospital
 - Exempla Good Samaritan Medical Center
 - Exempla Lutheran Medical Center
 - HealthOne Sky Ridge Medical Center
 - Longmont United Hospital
- e. Group #3: Weld County hospitals receive \$270/Medicaid Day
 - North Colorado Medical Center
- f. Group #4: Denver County hospitals receive \$475/Medicaid Day
 - Centura Health - Porter Adventist Hospital
 - Centura Health - Saint Anthony Central Hospital
 - Exempla Saint Joseph Hospital
 - HealthOne Presbyterian/St. Luke's Medical Center
 - HealthOne Rose Medical Center
 - National Jewish Medical and Research Center

10. Supplemental Non-Rural, Metro Area Payment

- a. Rural and Denver Metro Area providers are excluded. The following counties are non-rural, and not in the Denver-Aurora-Boulder Combined Statistical Area:
 - El Paso County (1 hospital providers)
 - Larimer County (3 hospital providers)
 - Mesa County (2 hospital providers)
 - Pueblo County (2 hospital providers)

- b. High-Volume Medicaid and CICIP providers are excluded from the payment and not included in the count, above. The impacted facilities are:
 - Memorial Hospital
- c. Hospital providers who qualify for the payment will receive \$270/Medicaid Day. The following providers will receive this payment:
 - Centura Health - Penrose -St. Francis Health Services
 - Centura Health - St. Mary-Corwin Medical Center
 - Community Hospital
 - McKee Medical Center
 - Medical Center of the Rockies
 - Parkview Medical Center
 - Poudre Valley Hospital
 - St. Mary's Hospital and Medical Center

11. Supplemental high-level Neo-Natal Intensive Care Unit Payment

Policy Goal: In order to support those providers with level IIIb or IIIc Neo-Natal Intensive Care Units will receive a payment of \$450/Medicaid Nursery day.

- a. High-Volume Medicaid and CICIP providers are excluded from the payment. The impacted facilities are:
 - The Children's Hospital, University Hospital and Denver Health Medical Center
- b. The following providers will receive this payment:
 - HealthOne Presbyterian/St. Luke's Medical Center
 - HealthOne Rose Medical Center
 - HealthOne Swedish Medical Center
 - Exempla St. Joseph Hospital
 - St. Mary's Hospital and Medical Center